

Cove Street Capital Small Cap Value Fund

Letter to Shareholders

DEAR FELLOW SHAREHOLDER — So here we are in the blessed sunshine of post-election America and the remarkable events of daily life remain remarkable. We have often talked about being in completely uncharted waters as far as Federal Reserve policy and the true unknowability of how financial markets will react to an ever more likely new era of irregularly higher interest rates and a diminution of the impact of monetary policy in the face of massive changes in fiscal policy. But clearly the election has dumped a new ocean full of water in the “ain’t seen nothing like this” tub.

Performance over the past six months has been “tepid.” The value index you see as one of our comparison indices was run up the mountain by the bank stock rally post the election, and we were not much of a part of that. What is somewhat sheepish to point out is that in a world that has punished active management for acting too much like an index at much higher fees, we clearly demonstrated that we are not an index fund in the fourth quarter of 2016!

Total Return (CSCAX) — % as of March 31, 2017

	6 MONTH	1 YEAR	3 YEAR	5 YEAR	10 YEAR	INCEPTION (09/30/98)
Cove Street Capital Small Cap Value Fund	4.79	9.39	5.07	10.56	5.76	10.82
Russell 2000® Index	11.52	26.22	7.22	12.35	7.12	8.94
Russell 2000® Value Index	13.93	29.37	7.62	12.54	6.09	9.80

Performance shown for the period through January 20, 2012 reflects performance for CSC Small Cap Value Fund, a series of CNI Charter Funds, the predecessor to Cove Street Capital Small Cap Value Fund “The Fund”. The Fund has the same portfolio manager and substantially similar investment strategies to the predecessor fund. The Institutional Class commenced operations on October 3, 2001. The performance results for the Institutional Class reflect the performance of the Investor Class shares from September 30, 1998 through October 2, 2001. The Investor Class subsequently closed, effective November 25, 2015.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-866-497-0097.

The gross expense ratio is 1.40%. Net expense ratio, as of the most recent prospectus, is 1.24% and was applicable to investors. Cove Street Capital, LLC (the “Adviser” or “Cove Street”) has contractually agreed through at least January 28, 2018 to reduce its management fees, and may reimburse the Fund for its operating expenses, in order to ensure that Total Annual Fund Operating Expenses (excluding acquired fund fees and expenses, leverage, interest, taxes, brokerage commissions, and extraordinary expenses) do not exceed 1.25% of the Fund’s average daily net assets.

The Fund imposes a 2.00% redemption fee on shares sold within 60 days of purchase. Performance data does not reflect the redemption fee. If it had, return would be reduced.

Some thoughts about the overall environment—we are betwixt and between. Every monstrous bull market starts with something that looks like the last 4 months: a stampede from an inflection point that looks obvious six months from now, but in its infancy is picked to death by articulate purveyors of the obvious. And the world is full of the highly-educated, the highly-articulate, and the data driven, and now they have the internet and access to our inbox with little claim to better forecasting. As noted in Berkshire’s recent shareholder letter and in these ramblings for over 20 years, the beauty of bearishness is that it is full of precision-laden facts based upon TRAILING data that can always suggest we are the verge of imminent disaster. (Go ahead and Google news pieces around the great inflection points of 1982, 1988, 2001, 2009, etc.) In comparison, the bullish case for the future almost always sounds dopey: this is America, we are a democracy and a free market that is still the envy of the world, and somewhere and somehow, we manage to grow the economy, and as of yet unidentified people will create companies and hire people, and...so on.